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STATE PASS USTR CHINA OFFICE/TIM WINELAND
STATE PASS OMB/INT'L AFFAIRS
STATE PASS HOMELAND SECURITY COUNCIL
STATE PASS IMPORT SAFETY WORKING GROUP

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SUBJECT: CHINA'S NATIONAL RECALL SYSTEM: AN UNFUNDED MANDATE

Ref: A. Beijing 5797

[1](#)B. Beijing 5899

[1](#)C. Beijing 6018

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SUMMARY

[1](#)1. (SBU) China unveiled its new national recall system for toys and processed food on August 31, a program spearheaded by the General Administration for Quality Supervision, Administration, and Quarantine (AQSIQ), the regulatory agency in charge of inspection for some aspects of domestic production and consumption of food as well as all aspects of export product certification and safety. An AQSIQ contact subsequently told Econoffs that the new toy recall system is not significantly different from the previous one, but the food recall system has been strengthened. The new rules now codify the definition of unsafe foods and defective toys and also establish requirements for manufacturers and the rest of the supply chain in the recall process. Local and provincial governments shoulder responsibility for regular-sized and voluntary recalls, and AQSIQ at the national level takes control of larger and compulsory recalls. Our contact said that no new funds would be allocated to support the rollout of the national system, but the agency will request additional funds if needed. The recall system is expected to utilize existing staffing. The new rules do not address the recall of food and toys intended for export. END SUMMARY

A NEW AND UNFUNDED RECALL SYSTEM

[1](#)2. (SBU) China announced its new national recall system for food and consumer products on August 31, a program spearheaded by the General Administration for Quality Supervision, Administration, and

Quarantine (AQSIQ), the regulatory agency in charge of testing any product certified for export and some production sectors related to domestic consumption. (The recall regulations were promulgated on August 27.) AQSIQ Department Policy and Legislation Director General Liu Zhaobin told Econoffs September 10 that the new food and toy recall systems were not different from the ones that existed before -- China has conducted food product recalls for years, and an automotive recall system was implemented in 2005 -- but the new rules now codify the definition of unsafe foods and defective toys and also establish requirements for manufacturers and the rest of the supply chain in the recall process. The new rules do not address the recall of food and toys intended for export, areas for which Liu said AQSIQ would later issue detailed guidance.

13. (SBU) The food recall system establishes voluntary recalls in Categories I, II, and III for decreasing severity of harm to human health, and the affected products must be banned for sale within one, two, and three days, respectively. Compliance is monitored at the provincial level. When producers fail to respect the terms of voluntary recall or fail to remedy violations, AQSIQ can mandate a compulsory recall and take charge of monitoring the recall from the national level. For toys, manufacturers are required to take voluntary, prompt action when they discover defects. No specific deadline is imposed for implementing a ban on their sale, and AQSIQ can escalate the voluntary recall to a compulsory recall. The new rules establish fixed criminal penalties of 10-30,000 RMB (USD 1,300 - 4,000) for failure to stop the sale of hazardous food or toys, comply with recall procedures, or rectify violations. Corruption by officials is subject to both criminal and administrative penalties in cases of hazardous food and administrative punishment in cases of defective toys.

14. (SBU) Liu said that no new funds would be allocated to support a nationwide rollout of the recall systems. At the provincial level, the rollout will utilize existing staffing. However, AQSIQ is expanding its headquarters office in Beijing to manage the recall

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system from the center and has said it will request additional funds from the Ministry of Finance if needed. Recalls for products not under AQSIQ's purview, such as fresh fruits and vegetables, are handled separately by the Ministry of Agriculture or other responsible agencies. This division of labor is necessary, Liu commented, because one single agency would be unable to manage every recall. The State Council Leading Group on Food Safety and Product Quality is studying interagency coordination. (Note: The Leading Group, Liu said, was meeting across the hall at the same time as our own meeting. This is the first unpublicized meeting of the Leading Group.) The Leading Group meets every ten calendar days to resolve "friction" between agencies and improve coordination on food and product safety matters, Liu said, adding that he usually participates in the Leading Group meetings.

AUTO RECALLS AS A MODEL

15. (SBU) AQSIQ introduced China's first official recall system, for automobiles, in 2005, resulting in the recall of 125,000 vehicles from 40 manufacturers since that time, and then used it as a model for the food and toy recall systems now in place. The major difference between the food/toy recalls and auto recalls is the introduction of the new concept of compulsory and voluntary recalls, the former managed by AQSIQ national headquarters and the latter managed by local Technical Supervision Bureaus (TSBs). (Note: TSBs are the 31 mainland province legacy inspection agencies that were folded into AQSIQ at the agency's creation in May 2001 and now co-exist with and complement AQSIQ's provincial CIQ offices. End Note)

NEW REGULATIONS AND LEGISLATION

16. (SBU) Regulators are now discussing the establishment of a general method for recalls in any product area, under the direction of the State Council Legislative Affairs Office. Food, toys, medicines, and agricultural products will continue to have their own

recall systems, but a general system will cover everything else. Officials are also planning strengthened recall systems for medicines and building materials. China is still interested in learning from U.S. experience, Liu said, as it expands and improves its own recall systems.

¶17. (SBU) China is amending the Law on Standardization and the Law on Metrology, and will also contribute to a new Law on Food Safety. Follow-up conversations with AQSIQ revealed that this new Law on Food Safety would supplement the existing 1995 Law on Food Hygiene, which deals with the implementation of a food sanitation license system. AQSIQ will submit initial proposals/amendments on all three laws to the State Council. Liu did not indicate when the Food Safety Law draft would be completed.

FOUR-MONTH CAMPAIGN MAKES PROGRESS

¶18. (SBU) Liu said that the State Council-initiated four-month special campaign from August through the end of the year targets "important" products, regions, industries, and large-scale safety problems. Across AQSIQ's 30,000 employees, Liu said that 150,000 inspection work shifts had checked the certifications of 1,830,000 companies. (Note: A follow-up call to AQSIQ to confirm the types of companies inspected and the time period over which such an incredible number of inspections were conducted revealed no new information. According to the State Council White Paper "The Quality and Safety of Food in China," China has 448,000 food production and processing enterprises, so the 1,830,000 figure for inspected companies likely includes a wide range of consumer and perhaps even industrial product manufacturers. End Note.) When

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asked by Econoff how progress in the campaign would be measured, Liu said that auditors would be dispatched to local CIQ offices to measure local CIQ and manufacturer compliance with the range of new rules that cover everything from registration of firms to management of inspection records.

COMMENT

¶19. (SBU) While this regulation provides for clarifications to AQSIQ's role in the existing comprehensive food recall system, it does not provide details about the competent authorities for each action. This is an important omission because AQSIQ is responsible for only one portion of China's domestic regulation and enforcement of food safety. By not including the duties and responsibilities of the other ministries, the impact of this new regulation must be questioned. By inference, this change in regulation only applies to the recall of food that is regulated by AQSIQ. If this is the case, a significant part of China's food will not be covered by the regulation.

¶110. (SBU) The rollout of strengthened recall systems for food and toys amounts to an unfunded mandate for AQSIQ. The ability of the central government to punish violators will depend on the professionalism of local CIQ officials and perhaps a heavy hand from the national AQSIQ office, rather than an infusion of new inspectors to canvass each province. Regulators are relying on that same sense of professionalism -- and new penalties on corrupt practices -- to crack down on violators in the four-month special campaign.

¶111. (SBU) Meanwhile, it appears that a broad awareness of food and product safety is trickling down from the center to provincial authorities. AQSIQ Minister Li Changjiang, Party Secretary Li Chuanqing, and a third official (Ref. A) are visiting local offices around the country for the next several months. AQSIQ auditors are expected to visit local CIQ offices in December. Officials at the WTO Center in Shanghai and academics at the Chongqing Academy of Social Sciences indicated to a Beijing Econoff in early September that China is taking food and product safety very seriously.

RANDT